

**Let's Get Washington Covered: Reconstructing Health Insurance
Problem Statement Summary
June 12, 2003
Draft 1**

Mixed group for problems 1 and 2: Lori Bielinski, Adair Dammann, Commissioner Kreidler, Gary Smith, Margaret Stanley

PROBLEM 1

Too many people do not have access to health care coverage and the number of uninsured individuals is growing.

The growing number of uninsured and the decline in access to coverage has resulted from:

- a. Medicaid and Basic Health Plan benefits packages (and cost-sharing) that are not affordable;**
- b. Inadequate funding to retain Medicaid and Basic Health Plan enrollment levels;**
- c. Eligible people do not always enroll in available insurance because of a lack of awareness, cost, or personal choice;**
- d. Employer-based coverage declines when the economy is sluggish and wages and revenues are not available to pay for coverage;**
- e. The high cost of purchasing individual insurance with after-tax dollars; and**
- f. New technologies, prescription drugs, administrative burdens, and mandates increase the cost of health insurance.**

Task force member problem statements relating to the decline in access of health care coverage:

- 1. A growing number of uninsured people also puts a burden on the overall health care system. (Boyd)**
- 2. Young, healthy people do not believe it is a good financial decision to get covered. (Cutler)**
- 3. Lack of universal coverage and financial instability, combined with cost increases, leads to an increasingly fragmented insurance market as individuals and marketers seek to create ever more finely segmented submarkets, ultimately heading to a "death spiral" of better-benefited plans for less young, less healthy subpopulations. (Dammann)**

4. The decay of the employment based private insurance system means that fewer and fewer workers and their family members are covered and system costs are spread over a declining base of insured individuals. (Dammann)
5. Decline/collapse of the employment based insurance system. (Flye)
6. Access to health care coverage and providers. (Flye)
7. 648,000 people are uninsured in our state. Someone or some system has to cover the costs when these people get sick – and because they are uninsured, they will wait longer to seek care, causing more serious illness and more costly care. Less than 25% of these uninsured are from non-working families. (Hauff)
8. Employer-based health care coverage precipitates a two-fold problem during times of economic adversity: Increased Unemployment AND Increased Uninsured populations. (Jones)
9. Access to health care is being denied to a growing number of Washington citizens. (Singler)
10. Coverage for health care for the great bulk of the population is either provided by government or through employers. The coverage through employers creates a burden on employers and is beginning to break down with more employers discontinuing or reducing coverage. (Singler)
11. Higher number of uninsured because fewer small employers provide health care coverage to their employees. (Smith/Logue)
12. Employees of small businesses forced to “go-bare” or pay 120% to purchase individual health insurance plans with after-tax-dollars because their employers do not offer health insurance. (Smith/Logue)
13. Washington citizens are uninsured for a variety of reasons. (Stanley)
14. No Health Care coverage for the “Working Poor”. (Tucker)

PROBLEM 2

Coverage decisions and the treatments allowed for covered benefits are not always based upon medical evidence, clinical efficacy, or some other standard of effectiveness.

Task force member problem statements relating to the availability and provision of health services:

1. Standards for covering services are not available for most treatment options. Standards are not applied equally between provider types when coverage decisions are made. (Bielinski)

2. Options for treatments that are less invasive, or proven effective, are not available as easily as options that are considered “conventional”, or historically accepted. Access to services that are cost effective have prohibitive procedures in place that add on extra cost to the system and burden to the patient. (Bielinski)
3. When a benefit package is designed, it claims that the “medical” portion of those benefits is to treat covered conditions, and that anything outside of those services provided by a “medical” provider is “sold separately” as a carve-out. (Bielinski)
4. The health care sector has expanded into technologies and pharmaceuticals when there is not clear information on their effectiveness for patients. (Cutler)
5. Lack of Support for Evidence Based Care - Washington’s regulatory framework does not encourage science based practice. Examples of current regulatory barriers include: some provider and network requirements; some benefit mandates; and independent review as currently administered in Washington. (MacEwan)

Mixed group for problems 3 and 4: Laura Boyd, Tom Curry, Pete Cutler, Pam MacEwan, Ed Singler

PROBLEM 3

Mandates and administrative burdens increase the cost of health insurance.

Some of the mandates and administrative burdens that were noted are:

- a. **The Washington State law on guaranteed renewability makes it difficult for insurers to discontinue products;**
- b. **Individual employers are permitted to purchase small group insurance as a “group of 1”;**
- c. **Every category of provider;**
- d. **The current community-rating law does not encourage the young and healthy to purchase small group coverage;**
- e. **Basic Health Plan “lookalike” product must be offered in the private market despite the small number of enrollees;**
- f. **The 75% income standard that must be met by self-employed individuals to become eligible employees in the small group market; and**
- g. **Benefit mandates.**

Task force member problem statements relating to mandates and administrative burdens:

1. Costs and administrative burdens have resulted in a number of insurance providers leaving the state reducing competition. (Boyd)
2. Government mandated insurance plan benefits and mandated inclusion of all categories of providers increases the cost of private insurance packages and, thus, makes them less affordable. (Curry)
3. Small Group Market - Small employers are having increasing difficulty purchasing and maintaining affordable coverage. (MacEwan)

PROBLEM 4

The combined impact of cost-drivers increases the cost of health insurance.

Some of the cost-drivers that were noted are:

- a. **Prescription drugs;**
- b. **Liability insurance;**
- c. **Defensive medicine; and**
- d. **The high expense associated with new technologies.**

Task force member problem statements relating to utilization and cost-drivers:

1. Liability Costs - Washington state physicians, hospitals and other health care providers are once again experiencing a serious liability crisis. Between 2001 and 2002, liability insurance premiums for certain hospitals and physicians increased by 70% or more. This liability crisis is leading to provider shortages and increasing cost of care. (MacEwan)
2. The cost of prescription drugs is driving up the cost of health care making it unaffordable to many Washington citizens. Persons over 65, on Medicare, generally have no coverage, or very meager coverage, for prescription drugs. (Singer)
3. Increasing cost affects the affordability of health insurance for Washington citizens and employers. (Stanley)
4. Prescription drug costs are increasing. (Stanley)

Mixed group for problems 5 and 6: Rhonda Hauff, Tom Jones, Carolyn Logue, Robert Pregulman

PROBLEM 5

The regulations governing different types of private and public health insurance result in different eligibility requirements, levels of benefits, and consumer protection:

- a. State and federal regulations govern different health insuring entities such as Taft-Hartley arrangements, Multiple Employer Welfare Arrangements (MEWAs), and Self-funded Employee Retirement Income Security Act (ERISA);**
- b. Public health insurance programs such as Medicaid and the Basic Health Plan are governed by yet another set of regulations; and**
- c. WSHIP offers yet another benefits package and it should not offer new plans that compete with the private sector.**

Task force member problem statements relating to inconsistent regulations and discontinuity of coverage in the employer-based health insurance market:

- 1. Employer based insurance results in greater discontinuities of coverage and care when people change jobs. (Curry)
- 2. Some proposals for expanding health access propose solutions or promote entities that could offer coverage but be exempted from state insurance regulation. (MacEwan)
- 3. Small business owners utilizing Multiple Employer Welfare Arrangements (MEWAs) authorized under federal ERISA laws as a way to provide health care coverage to their employees. (Smith/Logue)
- 4. The Basic Health Plan has members that are enrolled outside of the original intent of the BHP and outside of the eligibility criteria. It also insures illegal aliens leaving no room, due to budget constraints, to continue to enroll Washington state residents who truly qualify for the plan. (Voortman)
- 5. High Risk Pool. The WSHIP is developing a public policy component and pushing to offer reduced premium option for certain enrollees, and to support the expansion of the WSHIP beyond its current authority. (Voortman)

PROBLEM 6

The Washington State health insurance market does not function effectively for consumers.

Some observations of an ineffective market are:

- a. A lack of affordable health plan options;**
- b. A lack of competition between insurers, especially in rural areas;**
- c. The methods of offering, purchasing, and funding private and public health plans do not involve consumers or encourage financial accountability for their choices; and**
- d. Employees can be offered much different benefit packages (with or without pharmaceuticals, mental health, etc.) when job changes result in transitions between different types of health plans found in the individual, small, and large group markets.**

Task force member problem statements relating to the function of the health insurance market:

- 1. Lack of Competition amongst Health Plans in the rural areas of Washington State. (Jones)
- 2. Washington State has been criticized for not providing an environment which promotes and attracts local businesses. A major employer has moved its headquarters out of state. Health insurance carriers left the state in the 1990s. While those remaining are committed to working in the state, the factors contributing to a non-competitive business environment are hurdles that regulators and insurers cannot ignore. Laws and regulations should take into account how to foster and support local insurers' efforts to serve their markets, and to remove or reduce the barriers to entry for out-of-state insurers. (Milo)
- 3. The cost of health care is above what small business owners will pay or their employees are willing to pay for. So, many drop coverage for their employees. (Smith/Logue)
- 4. Too few affordable health insurance plan options and too few health insurers to assure competition and competitive premium rates for small businesses. (Smith/Logue)
- 5. For insured individuals there is little personal financial accountability. There is no motivation to see if a financial expenditure is really necessary or could be obtained at a lesser cost. (Tucker)
- 6. Few insurers competing for insurance business. (Voortman)

Mixed group for problems 7 and 8: Barb Flye, Yori Milo, Paul Tucker, Cynthia Voortman

PROBLEM 7

The Washington State health insurance system is not commonly understood by policy-makers and a clear policy does not guide all players to achieve results.

Some observations of this problem are:

- a. The role of public health insurance programs are not commonly understood;**
- b. Medicare and Medicaid reimbursement levels do not cover the cost of providing care;**
- c. Rural areas continue to lose providers under the current structure and regulation of the health insurance system;**
- d. Terms such as “health care,” “coverage,” and “insurance” are not commonly understood among policy-makers within the health care system.**

Task force member problem statements relating to the lack of policies and common understanding among people:

- 1. Inadequate funding of federal and state sponsored health programs results in reimbursements that fall below the cost of providing the covered services and in continued cost shifting pressures that drive up the cost of private insurance. (Curry)
- 2. Medicaid and Medicare, the two largest sources of publicly funded health coverage, provide disparate reimbursement to actual health care costs. Recent studies show a private physician should serve no more than 20% of patients at these reimbursement levels to keep her/his practice viable. (Hauff)
- 3. Increased losses of providers from the rural areas and rural hospital closures. (Jones)
- 4. Stakeholders do not have common understanding of health insurance issues, or even a mutually understood language for discussing them. Discourse on these issues is too frequently characterized by widely divergent understanding of such key terms as “health care,” “coverage,” and “insurance.” Without agreement on definitions that will lead to a common understanding of the issues, problem-solving efforts will remain fragmented and progress will be thwarted. (Milo)
- 5. We have no “Health Care Policy” for the State or Nation e.g. we have an education policy which provides free education (K-12) for everyone. College is not free, varying in cost from one school to another. (Tucker)

PROBLEM 8

The Washington State health insurance market is becoming financially unstable.

Some observations of the market's financial instability are:

- a. Health care costs continue to become a larger portion of the budget for all private and public health insurance purchasers;**
- b. When private and public purchasers eliminate coverage due to a lack of funds, the cost is borne by fewer and fewer purchasers;**
- c. Health care costs continue to compromise the competitiveness of Washington State businesses as the cost of coverage increases;**
- d. Uncompensated care creates unpredictable levels of cost-shifting to taxpayers or to those who are covered;**
- e. Consumers and employers are not prepared to manage the financial risk resulting from large increases in premiums and cost-sharing, coupled with fragmentation of the market; and**
- f. Younger, healthier people opt out of the small group market due to community-rating.**

Task force member problem statements relating to the financial instability of the market:

1. Cost of health care is compromising the competitiveness of many Washington State businesses. (Boyd)
2. Lack of universal coverage leads to cost shifting to covered groups and taxpayers, financial instability of healthcare delivery system. (Dammann)
3. Insecurity for those with coverage. (Flye)
4. Washington state's market-based insurance system is experiencing increasing cost pressures that put stress on the system and, for certain segments of the population, create issues of affordability. The per-person cost of healthcare services is increasing faster than the inflation rate, which has resulted in higher premium increases. (Milo)
5. Government safety-net programs are suffering from a lack of funding. (Milo)
6. When businesses or State Government have financial problems, a dominant solution is to reduce or eliminate health care coverage. This leaves thousands of people vulnerable to health and financial disaster. (Tucker)
7. Cost shifting from Medicare and Medicaid and other government payors to the private sector. (Voortman)

8. Rate Compression in the Small Group Market. Unless there is 100% community rating - and that must include large groups as well, rate compression will always be uncompetitive for younger, healthier and generally blue collar employees who are priced out of the market in order to price in the older white collar population. Younger people will, and have opted out of costly coverage creating even higher rates and loss ratios. (Voortman)